

VZCZCXRO2787
RR RUEHDBU RUEHIK RUEHLN RUEHPOD RUEHSK RUEHVK RUEHYG
DE RUEHMO #0990/01 1071407
ZNR UUUUU ZZH
R 171407Z APR 09
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC 2916
RUEHPNH/NVC PORTSMOUTH 0004
INFO RUCNCIS/CIS COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEHFT/AMCONSUL FRANKFURT 4043

UNCLAS SECTION 01 OF 04 MOSCOW 000990

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [KFRD](#) [CVIS](#) [CPAS](#) [CMGT](#) [ASEC](#) [RU](#)
SUBJECT: FRAUD SUMMARY - MOSCOW

11. (U) COUNTRY CONDITIONS:

Since the financial crisis hit in September 2008, uncertainty about the banking sector, the value of the ruble, and the price of oil have prompted investors to withdraw significant amounts of capital from the Russian economy. The higher cost of credit that ensued, in conjunction with the global downturn in demand for a broad range of products, forced Russian firms to cut production, reduce the workweek, decrease salaries, and trim staff. As a result, since November 2008 incomes have declined, reversing nearly a decade of real double-digit income growth. Unemployment and underemployment in Russia continue to increase, although at lower rates than earlier in the year. Estimates for actual unemployment by the end of 2009 range from ten to twelve million, with significantly higher risk for workers in Russia's single company towns. In addition to currently unemployed workers, more than 1.1 million workers are on idle time, reduced work schedules, or administrative leave. Russian workers also suffer from delayed salaries and falling real incomes. Wage arrears rose 16.1 percent in February to 8.1 billion rubles as of March 1, primarily due to the absence of sufficient funds on the part of employers. At the end of February, the Ministry of Economic Development predicted real incomes would fall 8.3 percent in 2009.

As the first quarter of 2009 draws to a close, the economy appears to have achieved some stability, thanks to a modest, but steady rise in the price of oil. The ruble has stabilized, the federal budget was in surplus (through February), and the stock market has been growing again. However, the economic outlook for the year has never been more uncertain. The Russian Government forecasts an economic contraction of 2.2 percent. Analysts outside the GOR are more divided on the country's economic prospects than they have been in a decade. Economists from academia and the think tank community estimate a sharper economic contraction of 5-10 percent, whereas investment bankers anticipate a recovery by the end of the year with potential growth reaching three percent.

According to the last official census in 2002, the population in Moscow is 10.4 million; however this figure only takes into account legal residents. Current estimates place Moscow's population at over 13 million. The next official census is scheduled for October 2010.

12. (SBU) NIV FRAUD - MOSCOW:

During this reporting period, consular officers referred 282 cases to the Fraud Prevention Unit (FPU) for investigation of suspected fraud. We experienced a 19.5 percent increase in fraud referral cases over March - August 2008 numbers. FPU confirmed fraud in 10.6 percent of the cases referred to FPU. Most of the referrals to FPU during the report timeframe were for employment, educational or bank statement verification. Based on these findings, Moscow is currently considered a medium-fraud post.

FPM conducted routine LexisNexis checks and conferred with Embassy representatives of U.S. federal agencies including federal law enforcement agencies during fraud investigations. In addition, FPU local fraud investigators conducted host country law enforcement

record checks. Local investigators also researched host country tax and business registries; national and local media websites; and reviewed a variety of Russian newspapers for fraud-related information during the course of their investigations.

Sixteen out of 282 applicants for B1/B2 visas referred to FPU provided fraudulent employment statements. For example, FPU investigation revealed that two applicants presented employment letters from a well-known U.S. financial firm. Further investigation revealed that one of the applicants, a Ukrainian national, had also presented a fraudulent Russian work permit. FPU coordinated with local authorities and the applicant was deported from Russia. Another case involved an applicant that claimed she worked for a reputable local medical provider. FPU investigation revealed that the applicant was a former employee that had obtained the company's letterhead prior to her dismissal. Other cases involved fraudulent local registration documents for non-existent companies, forged letter head for reputable local companies, or forged employment letters containing inflated job positions or salaries.

FPU conducted two in-depth investigations on L1 intercompany transfer non-immigrant visa cases. One case involved an applicant that claimed that she had been employed for an extended period of time at the company. When FPU contacted the "claimed" employer, however, the receptionist said that the applicant was not employed by the company but was the president's daughter. Another case involved an applicant that claimed he was traveling to work at the U.S. division of the company. When FPU checked the state's on-line business incorporation documents, however, the company had been in "inactive/noncompliance" status since March 2007.

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FPU confirmed fraud in three student visa cases. All of the applicants submitted fraudulent bank statements in conjunction with their student applications and claimed that they were planning on studying English. Based on these findings, FPU improved its contacts at the top local banks and plans to investigate a recent rise in ESL applications from non-traditional students.

During this reporting period, FPU investigations revealed that three separate applicants legally changed their names in an attempt to obtain visas - all cases were caught as facial recognition hits. Two cases involved individuals attempting to cover up illegal overstays. Another applicant admitted to legally changing her first and patronymic names after three visa denials. When she was denied a fourth time, she decided to change her entire name in an attempt "to circumvent the system" - she was quite surprised to receive a FPU phone call asking if she had a twin sister. Our FPU investigations have revealed that it is quite easy to officially change one's name in Russia and often little reason needs to be provided to the local officials for the change.

There is still inconsistent use of NIV "Suspicious Documents Function" by NIV line officers. A standard operating procedure for fraud referrals, including the use of suspicious documents, was formalized during this reporting period. FPU continues to work with NIV officers to encourage the use of the suspicious document function more consistently.

Belarusian Summer Work & Travel (SWT) Validation Study: Since March 2008 when the Government of Belarus mandated staffing reductions at Embassy Minsk, Moscow has accepted Belarusian SWT applicants. FPU conducted a 100 percent validation study of the 1,250 Belarusian students who were issued by Embassy Moscow. The study was undertaken in an effort to compare our SWT issuances to those of Embassy Minsk in prior years.

Moscow utilized the Department of Homeland Security's Arrival and Departure System (ADIS) records to confirm the arrivals and departures of Belarusian SWT participants. Those with confirmed departures were considered to have completed their summer program and were not further examined. Those with no departure records, with pending Adjustments of Status, or who had adjusted to B1 status with a departure date before March 1, 2009 were contacted by the

Fraud Prevention Unit in Minsk.

The results showed that 1,062 students (or 85 percent) had confirmed departures from the United States. Of the remaining 188 students, 130 (or 10.4 percent) had no departure records, and the remaining 58 (or 4.6 percent) had either adjusted status or had an adjustment of status application pending with DHS. The non-return rates for males and female students were almost equal. Older applicants (and, thus, further along in their university education) were more likely not to return to Belarus. Also, Post's validation study revealed that applicants with prior J-1 visas were more likely to legally adjust status than first timers. Post has contacted all Belarusian SWT agencies and provided them feedback on the travel patterns of their SWT participants.

13. (SBU) IV FRAUD - MOSCOW:

Officers within the Immigrant Visa Unit referred sixteen cases for FPU investigation, mostly for criminal background checks with local law enforcement. None of the investigations resulted in a permanent refusal.

14. (U) DV FRAUD - MOSCOW:

During the timeframe of this report, Russian nationals were not eligible to participate in the Diversity visa (DV) program. Russians will be eligible to participate in the DV 2010 program. We have received numerous complaints regarding DV email scams. Post has translated the Department of State's DV Fraud Warning for use on its internet site.

15. (U) ACS AND U.S. PASSPORT FRAUD - MOSCOW:

During this reporting period, no ACS cases were referred to FPU. However, FPU has assisted ACS with Lexis-Nexis checks to assist in locating down American Citizens (generally as a result of the two-parent signature regulation for minor passports or on emergency ACS cases).

16. (U) ADOPTION FRAUD: N/A

17. (U) USE OF DNA TESTING: N/A

18. (U) ASYLUM AND OTHER DHS BENEFIT FRAUD

From September 1, 2008 through February 28, 2009 the Moscow U.S. Citizenship and Immigration Service (USCIS) field office interviewed

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184 refugee and asylum cases for applicants from Russia. Of the 184 applicants interviewed, 27 of them were denied at least in part because of credibility.

The criteria for denying an applicant based on credibility are as follows:

"The USCIS officer informed you of discrepancies concerning material facts within your testimony during your interview and you were provided with an opportunity to reconcile those discrepancies. Because you were unable to reconcile the discrepancies to the officer's satisfaction, it has been determined that your testimony lacked credibility on those material facts. As a result, you are not eligible for refugee status."

19. (U) ALIEN-SMUGGLING, TRAFFICKING, ORGANIZED CRIME, TERRORIST TRAVEL - Moscow:

For the fifth consecutive year, Russia has been included as a "Tier 2 Watch List" in the Trafficking in Persons (TIP) annual report. Russia is considered to be a source, transit, and destination country for men, women, and children trafficked for various forms of exploitation. According to the most recent TIP report, "the Government of the Russian Federation does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so." The report also indicates that last year, the GOR "demonstrated progress in its law

enforcement efforts over the last year. Article 127 of the criminal code prohibits both trafficking for commercial sexual exploitation and forced labor." The TIP report also noted a 10-percent increase in the number of investigations in 2006.

Moscow is a massive transit point for human smuggling, specifically to and from China, Korea, Japan, Central Asia, and Eastern Europe, and remains a primary source of supply of trafficking victims to Western Europe. Organized crime is also considered to be widespread, but with a loose structure and intertwined with corruption.

110. (SBU) DS CRIMINAL FRAUD INVESTIGATIONS - MOSCOW:

The Consular Section enjoys an open, strong working relationship with its ARSO-I. During the timeframe of this report, ARSO-I worked on a joint investigation with DHS and FBI regarding a Eurasian Organized Crime group operating in Colorado and Nevada that is suspected of using 28 Summer Work and Travel (SWT) exchange program students including two female students from Russia to participate in financial fraud schemes to obtain money or goods.

ARSO-I successfully documented visa fraud committed by a Russian government official accused of the theft of billions of dollars worth of land and money. When the suspect fled to the United States, ARSO-I Moscow determined the suspect had made material false statements on the most recent visa application. After DHS was notified, the suspect was detained on his next entry into the United States, and confessed to having made false statements. Due to the extremely high value of money allegedly stolen, DS, DHS, DOJ, and the FBI are working closely with Russian officials on pursuing the case and proceeds from the theft and subsequent money laundering.

ARSO-I and the DS New York Field office jointly investigated visa fraud committed by a fugitive from Kazakhstan who initially obtained a Russian passport and fled to Moscow, before going to the United States. Based upon the concealment of his prior arrest and criminal charges, the suspect was charged with fraud and arrested. The U.S. Marshal Service initially brought the case to the attention of DS due to the Interpol warrant issued by Kazakhstan for the suspect's alleged murder of four people.

111. (SBU) HOST-COUNTRY PASSPORT, IDENTITY DOCUMENTS, AND CIVIL REGISTRY:

ARSO-I Moscow is leading a joint criminal investigation into the sale of counterfeit and altered documents by a crime ring based in Moscow. The overall investigation encompasses more than 34 DS criminal cases, touching on 46 countries. The vendors are suspected of having produced counterfeit supporting documents for visa applications, counterfeit and altered passports, and counterfeit visas from the United States, Russia, Schengen countries, Canada, and several other nations. Over the past 11 years, the group has sold an estimated 1000-3000 U.S. visas. Several key members of the organization have been identified and indicted in the United States; however the suspects remain at large in Moscow. A recent success in the case was the arrest of suspects in Ghana and Belarus after at least eight of the counterfeit U.S. visas were sold through that portion of the distribution network. To date, approximately 21 members of the organization have been arrested, however Russian officials have to date refrained from pursuing the highest level suspects. The vendor ring has also sold documents to criminal

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fugitives and Chechen fighters, raising concerns of terrorist travel.

112. (SBU) COOPERATION WITH HOST COUNTRY AUTHORITIES:

Official requests for verification of documents and information must be conducted using the format of Diplomatic Notes to the Ministry of Foreign Affairs for dissemination to the respective federal or regional government office. FPU relies on contacts in various ministries to provide verification and/or confirmation of requests on an unofficial basis. In September 2008, the Ministry of Internal Affairs disbanded the anti-organized crime unit following

allegations of extortion of wealthy business men by members of the unit.

ARSO-I has had limited cooperation and slow response from host country law enforcement units. Despite the willingness of some host country officers to discuss criminal cases, the endless layers of bureaucracy, corruption, and apathy lead to limited success in responding to criminal acts. Transparency International has rated the perceived level of corruption in Russia as having risen steadily over the past eight years, and have noted the judicial system as a particular concern.

¶13. (U) AREAS OF CONCERN: None

¶14. (U) STAFFING AND TRAINING - Moscow:

The Fraud Prevention Unit consists of two Consular Officers, the Fraud Prevention Manager and an entry-level officer that serves as the Deputy Fraud Prevention Manager; an Assistant Regional Security Officer-Investigator; and four locally engaged Fraud Investigation Specialists. During the reporting period, FPU and ARSO-I organized two training sessions for consular officers. FPM also provides information on fraud trends and other guidance to consular officers in Moscow as well as in the consulates on a regular basis.

¶15. (U) EVENTS - Moscow:

The FPM regularly participates in the monthly Anti-Fraud Diplomatic Group meetings. FPM agreed to host the September 2009 Anti-Fraud Diplomatic Group meeting.

BEYRLE